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**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of CALIFORNIA WATER SERVICE COMPANY (U 60 W), a corporation, for an order authorizing it to increase rates charged for water service in its Chico District by \$6,380,400 or 49.1% in July 2008, \$1,651,100 or 8.5% in July 2009, and by \$1,651,100 or 7.9% in July 2010; in its East Los Angeles District by \$7,193,200 or 36.5% in July 2008, \$2,034,800 or 7.6% in July 2009, and by \$2,034,800 or 7.0% in July 2010; in its Livermore District by \$3,960,900 or 31.2% in July 2008, \$942,200 or 5.6% in July 2009, and by \$942,200 or 5.4% in July 2010; in its Los Altos-Suburban District by \$5,172,500 or 30.5% in July 2008, \$1,189,100 or 5.4% in July 2009, and by \$1,189,100 or 5.1% in July 2010; in its Mid-Peninsula District by \$5,435,100 or 23.7% in July 2008, \$1,634,200 or 5.8% in July 2009, and by \$1,634,200 or 5.5% in July 2010; in its Salinas District by \$5,119,700 or 29.8% in July 2008, \$3,636,900 or 16.3% in July 2009, and by \$2,271,300 or 8.7% in July 2010; in its Stockton District by \$7,474,600 or 29.0% in July 2008, \$1,422,400 or 4.3% in July 2009, and by \$1,422,400 or 4.1% in July 2010; and in its Visalia District by \$3,651,907 or 28.4% in July 2008, \$3,546,440 or 21.3% in July 2009, and by \$3,620,482 or 17.6% in July 2010.

Application 07-07-001  
(Filed July 3, 2007)

**SECOND RULING OF ADMINISTRATIVE LAW JUDGE SEEKING  
ADDITIONAL INFORMATION REGARDING CALIFORNIA WATER SERVICE  
COMPANY'S 2007 GENERAL RATE CASE**

To California Water Service Company (Cal Water) and the Division of Ratepayer Advocates (DRA):

Within 30 days of issuance of this ruling, please file and serve responses (and, where requested, serve documents) in response to the questions in Appendix A (Cal Water) and Appendix B (DRA) regarding the testimony supporting Cal Water's General Rate Case application. If you need clarification of any question in this ruling, please email the Administrative Law Judge (ALJ) and the service list in advance of the due date rather than trying to guess at what the question means.

**IT IS SO RULED.**

Dated September 25, 2007, at San Francisco, California.

/s/ SARAH R. THOMAS

Sarah R. Thomas  
Administrative Law Judge

## **Appendix A (California Water Service Company)**

### **1) Report on Water Use Forecasts**

- a) Page 2 – Why is the sample "adjusted"? Explain the adjustment.
- b) Page 4 – Figure S-2. Why is there such a large difference between the Salinas model vs. actual figure for 2005? Provide the same forecasts for the other seven districts, or a citation to where in the record they appear.
- c) Page A-1 – State where the Model Specifications were adopted and explain (for each district) why the models differ by district.

### **2) Conservation Programs**

- a) Page 2 – you state that "this general rate application proposes conservation budgets for all districts; however, this application deals only with the [eight districts in the caption]." These statements seem contradictory; explain.
- b) Page 3 – Can information programs ever be "cost-effective" as you use that term? Explain.
- c) Page 7 – how would the Commission monitor for reasonableness a program allowing Cal Water to implement conservation programs "without fear that it will overspend and not be allowed to recover reasonable conservation expenses" (with 5 percent and 20 percent caps)? Provide authority from other Commission programs (including Energy Efficiency) allowing for such overspending. Explain the WRAM briefly.
- d) Page 9 – You state (seemingly contradictorily) that you are not proposing funding of any conservation programs with cost-effectiveness ratios less than 1.0, but later state you are requesting that the Commission allow Cal Water to pursue some programs with cost-effectiveness ratios less than 1.0. Explain.

- e) Explain generally what approvals for conservation programs you seek in this proceeding (as distinguished from the Commission's Conservation Order Instituting Rulemaking [OII] 07-01-022).

**3) Water Quality – Prepared Testimony of Chet W. Auckly**

- a) Selma information is missing; please supplement the testimony to include it.
- b) In all cases in which you met levels for "Notification," did you make such notification? Explain. Describe how and to whom you give such notification.
- c) Page 2 – Chico. You state water quality is "good" in Chico. Is this based on any objective scale?
- d) Page 3 – East Los Angeles. You state that "Notification levels are advisory in nature and not enforceable standards." Explain.
- e) Page 4 – East Los Angeles. Give timelines for the corrective actions that may be required for seven of the ten active wells.
- f) Page 6 – Livermore. Explain the court ruling that may result in less water for the district.
- g) Page 10 – Salinas. Are you receiving state funding for MtBE mitigation? Explain.
- h) Page 11 – Stockton. Give more detail regarding the plume of Trichloroethylene (TCE), including whether there is litigation or a settlement regarding the plume, and if so, the parties involved.
- i) Page 12 – Visalia. Cite authority for the statement that "DHS recommends shutting down a source if it reaches 100 times the notification level."
- j) Page 33 – King City. The testimony is very brief. Supplement it to furnish the type of information given with respect to the other districts. A good example to follow is Redwood Valley.

- k) Page 38 – Palos Verdes. The testimony is very brief. Supplement it to furnish the type of information given with respect to the other districts. A good example to follow is Redwood Valley.
- l) Page 40 – Redwood Valley. You state that the U.S. Environmental Protection Agency (EPA) limits on allowable levels of Disinfectants and Disinfection By-Products (DBPs) went into effect on January 1, 2004 for small water systems. Does determination of whether a water system is small depend on the number of connections, or the size of the owner of the company?
- m) Page 42 – Redwood Valley/Hawkins. The DHS letter is dated October 19, 2004, but it does appear you have installed treatment facilities. Is presence of the California Tiger Salamander the sole reason for the delay? If not, explain the delay.
- n) Page 43 – Redwood Valley/Lucerne. Explain how long the "boil water" conditions related to algal blooms/storm water runoff have been in place.
- o) Page 47 – South San Francisco. The testimony is very brief. Supplement it to furnish the type of information given with respect to the other districts. A good example to follow is Redwood Valley. You also state that you are not using groundwater due to water quality constraints. What are those constraints? Below you state that you blend "remaining constituents" in your groundwater well with SFPUC water. Explain the seeming inconsistency between these two statements.
- p) Page 49 – Willows. The testimony is very brief. Supplement it to furnish the type of information given with respect to the other districts. A good example to follow is Redwood Valley.
- q) Page 51 – Cal Water Districts That Exceeded MCLs or SMCLs. What does "CA" mean in the chart, and explain its use given that it is only used for some districts.
- r) Page 52 – Explain the statement that "Compliance is based on the 90<sup>th</sup> percentile value. If the 90<sup>th</sup> percentile value is above the AL, then we must take action to lower the lead and copper values."

- s) Page 53 – Antelope Valley. You state no exceedances have resulted in issuance of a citation by DHS. What is the legal significance of the fact that there have been no citations?
- t) Page 53 – Lancaster, and page 55 - Bakersfield. You state that the 2006 *averages* of each of these constituents are below their respective regulatory limits. Is compliance based on averages, or actual levels at a site? You refer to your water source working to lower arsenic concentrations. What is the timeline of this work, and your plan if your source does not act in a timely manner?
- u) Page 54 –Is fire the only "emergency" use of standby wells?
- v) Page 55 – Bear Gulch. When will the planned action regarding the secondary MCL for aluminum be carried out?
- w) Page 56 – Hermosa-Redondo. When will the planned action regarding the secondary MCL for Total Dissolved Solids (TDS) be carried out?
- x) Page 61 – What are the procedures in the following statement: "Though some constituents have been directed at levels in exceedance of primary and/or secondary MCLs, they have not resulted in non-compliance due to the procedures used for calculating MCL compliance"?
- y) Appendix A, pages 2-3. Provide the McGuire/Malcolm Pirnie evaluations to which you refer.
- z) Appendix A – page 3. What will you do if the December 31, 2009 Groundwater Rule (GWR) compliance deadline is not feasible?

#### **4) Livermore District**

##### *i) Formal Application – Workpapers*

- (a) Table 4-A & Page WP 4-B1. For many of the districts (not just Livermore, but it is one example), you use a service connection growth percentage that is not a 5-year average. How do you

determine whether a 5-year average is or is not appropriate in a particular case? Has the Commission given guidance on when it is appropriate to deviate from a 5-year average, and if so are you in compliance with such guidance? Elaborate.

- (b) Table 4-C. Why is there such a large fluctuation in your unaccounted water percentage over time (e.g., 0.71% in 2001, 2.78% in 2002, 9.13% in 2003, 4.20% Last Adopted Test Year 2005-06 test year)?
- (c) Table 4-F1c. What does "Inch" stand for in the table closest to the bottom of the page?
- (d) Page WP4 – F1e. Who is Rick Terry?
- (e) Table 5-B4g. You propose a large percentage of your conservation budget be spent on public information and school education. Why have you taken this approach, and has the Commission recommended or approved it? Is the percentage spent on education/information similar to the percentages so spent in the Energy Efficiency sector?
- (f) Table 6-A. Why is there such a high fluctuation in the percentage change in A&G expenses per customer over the years (e.g., 59.8% in 2002, (-38.2%) in 2003, (-7% in 2004), 1.2% in 2005, and 22.4% in 2006)?
- (g) Table WP6-A1a. What does the Miscellaneous Gen Expense category contain?
- (h) California Water Service Company, Livermore, 2009 Advance Capital Budget, page 11 of 16. How do you determine when to carry out Priority B security mitigation improvements as compared to Priority A improvements? Do you have an implementation overall schedule/plan for the company? If so, please furnish a copy.
- (i) Livermore District Annual Change in Non-Specific Expenditures. Explain the significant fluctuation over time.

- (j) Livermore Carryover Projects. Do you list *for each district* the projects that were approved but not carried out, and the projects carried out but not approved in advance? If so, furnish the list(s).

*ii) Project Justifications*

- (a) Table of Contents. Page 4, # 00017380. You state you are replacing a forklift pursuant to a California Air Resources Board (CARB) mandate. Are you now replacing all affected forklifts for all districts to comply with the CARB requirement? Are other vehicles affected? Explain.
- (b) Tab 2. Please furnish the 2006 Water Supply and Facilities Master Plan for each district (or, if you have already done so, indicate when you furnished it).
- (c) Tab 5. The document is marked up. Please furnish any revisions.
- (d) Tab 6. The City of Livermore is having a moratorium on street excavations. Are you conducting all necessary excavations (and not only the project here) to conform to the moratorium?
- (e) Tab 11. You mention a routine valve replacement program. Describe the program.

*iii) Results of Operation and Prepared Testimony*

- (a) Page 9 – Explain how you obtained approval for the special condition that allows you to pay the City of Livermore a different rate related to fire sprinkler systems than you ordinarily pay, and whether there would be any cost to or other impact on ratepayers if the special condition were removed.
- (b) Page 18 - Your water loss is less than seven percent. You use a default figure of eight percent for districts on flat rate schedules. Explain why you use the eight percent default if actual losses are lower.



- (c) Page 33 – State the authority allowing you to cancel projects and re-budget the spending because of major nonspecific projects or cost overruns in budgeted projects.

## 5) East Los Angeles District

### *i) Formal Application – Workpapers*

- (a) Table 5-B4a. You use a 4-year average for Source of Supply Expenses. Is a 5-year average the default option? How do you determine whether a 5-year average is or is not appropriate in a particular case? Has the Commission given guidance on when it is appropriate to deviate from a 5-year average, and if so are you in compliance with such guidance? Elaborate.
- (b) WP 5 – B4d1. What does the Miscellaneous category contain?
- (c) Table 5-B4e. Here you use a 2-year average for Customer Accounting Expenses. Please answer the questions in (a) (two questions above this one).
- (d) Table 5-B4g. You propose a large percentage of your conservation budget be spent on public information and school education. Why have you taken this approach, and has the Commission recommended or approved it? Is the percentage spent on education/information similar to the percentages so spent in the Energy Efficiency sector?
- (e) WP5-B10 – You will be leasing unused water rights. You also propose an increase in water purchases. Why are you doing both, which seem inconsistent? What percentage of the lease revenue will you credit to ratepayers?
- (f) WP6-A1a. What do the Community Service expenses consist of, and are they appropriately charged to ratepayers? What do the Merger Related Expenses consist of, and are they appropriately charged to ratepayers?

- (g) Table 6-B. Are the percentages of ESP and antenna revenues/expenses allocated to ratepayers 10% and 30%, respectively? Why are these the allocations?
- (h) WP 6-B1. What is the Central Basin Water Association and why are the dues (charged to ratepayers) \$14,414.28?
- (i) WP7-B1. The Ad Valorem Taxes page is for Antelope Valley rather than East Los Angeles. Please substitute pages.
- (j) California Water Service Company, East Los Angeles, 2008 Advance Capital Budget, page 9 of 26, # 00016074. The item states you deferred money allocated to one project and used it for installing a 12" main. Under what authority do you transfer funding in this way? Explain.

*ii) Project Justifications*

- (a) Tab 3. You state that in some cases, you have a special agreement with a city to accelerate replacement of small mains for fire protection. What factors do you take into account when agreeing to a special agreement in one district, and do such agreements have impacts on the speed of replacement in other districts?
- (b) Tab 3, # 00015990, page 1. Provide or cite DHS material indicating its concerns with dead end mains.
- (c) Tab 5 appears to be related to or duplicate tab 13. Explain.
- (d) Tab 7. Provide a copy of California Water Service Company's Main Replacement Program, or, in the absence of a document, describe the program and its criteria. Has the Commission reviewed or approved the program? Explain.
- (e) Tabs 8 & 14. Do you have a schedule of useful lives for different main sizes and compositions, and for pumps?
- (f) What is the difference between the projects at Tabs 4, 11 and 22?

- (g) Tab 14. How often do you re-bid your master contracts for Cal Water?
- (h) Tab 17. This expenditure of \$320,000 relates to a 5 year contract. Will the interconnection facilities be useful after the contract expires?
- (i) Tab 26. When were the Priority 1 Security improvements performed; if they have not been performed, why are Priority 2 improvements happening first?

*iii) Results of Operation and Prepared Testimony*

- (a) Page 10 – Why did you change the way you present your multi-year capital projects?
- (b) Page 17 – Why are only eight of twenty wells operating; what happened between 2006 (when all wells operated) and today?
- (c) Page 43 – You state you cannot request recovery of an undercollected balance more than three years old, but then ask to amortize the balance. On what ground so you make the request?

## **Appendix B (Division of Ratepayer Advocates - DRA)**

### **1) Conservation Programs**

- a) Page 5 - Cal Water states that in its previous GRC, DRA argued that the Cal Water conservation budget proposal should be reduced to historical expenditures. State whether you agree with this statement, and if it is correct, explain your position in the previous GRC and your current position.

**INFORMATION REGARDING SERVICE**

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a Notice of Availability of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the Notice of Availability of the filed document is current as of today's date.

Dated September 25, 2007, at San Francisco, California.

/s/ JOYCE TOM

Joyce Tom

\*\*\*\*\* SERVICE LIST \*\*\*\*\*

Last Updated on 07-SEP-2007 by: SMJ  
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